

**MULTIMEDIA**



**UNIVERSITY**

**STUDENT ID NO**

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**MULTIMEDIA UNIVERSITY**

**FINAL EXAMINATION**

**TRIMESTER 2, 2016/2017**

**BAB2024 – MANAGEMENT ACCOUNTING FOR  
MANAGERS**

**( All sections / Groups )**

**24 FEBRUARY 2017**

**3.00 pm – 5.00 pm**

**( 2 Hours )**

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**INSTRUCTIONS TO STUDENTS**

1. This Question paper consists of 4 pages with 4 Questions only.
2. Answer **ALL** Questions in the answer booklet provided.

**QUESTION 1**

Double Bounce Trampolines produces two models of trampolines for backyard fun. The "Original", and the recently introduced "Deluxe". The Deluxe model introduced several safety features that were intended to scare overly protective parents into upgrading. Since its introduction, the deluxe model has been increasing in sales, but at the same time, the company's profits have been declining. The Chief Financial Officer (CFO) believes that the company's traditional costing system may be to blame. Currently, the company uses direct-labour hours as the basis for applying overhead. The company estimates that it will incur RM600,000 in overhead costs in the next year.

The following cost data is known:

	<b>Original</b>	<b>Deluxe</b>
Direct Materials	RM50	RM75
Direct Labour (RM10 per hour)	2 hours	3 hours
Number of units produced	7,000 units	2,000 units

The CFO wishes to explore an activity-based costing system

Activity (Cost Driver)	Estimated MOH	Expected Activity		
		Standard	Deluxe	Total
Assembly(Labour Hours)	RM100,000	14,000	6,000	20,000
Receiving(Receiving Reports)	200,000	2,000	2,000	4,000
Testing (Number of Tests)	300,000	200	800	1,000
	RM600,000			

**Required:**

- a) Under the traditional costing method:
    - i) Compute the predetermined overhead rate. (2 marks)
    - ii) Determine the unit cost of each product. (4 marks)
  - b) Under activity based costing:
    - i) Compute the activity rates for each activity. (12 marks)
    - ii) Determine the expected unit cost of each product. (4 marks)
  - c) Comment on your answers from parts (a) and (b) above. (1 marks)
  - d) If ABC produces more accurate cost data, why is it not more widely used? (2 marks)
- (Total 25 marks)**

Continued...

**QUESTION 2**

Lee Lee manufactures beverages for the Malaysian market. The following data relate to its July 31, 2017 fiscal year end:

Raw materials inventory, August 1, 2016	RM185,000
Raw materials inventory, July 31, 2017	140,000
Work in process inventory, August 1, 2016	25,000
Work in process inventory, July 31, 2017	35,000
Finished goods inventory, August 1, 2016	375,000
Finished goods inventory, July 31, 2017	390,000
Direct labour	1,200,000
Sales commissions	400,000
Factory supervisors' wages	240,000
Company president's salary	250,000
Purchases of raw materials	3,250,000
Property taxes (75% factory, 25% office)	100,000
Depreciation (90% factory, 10% office)	1,700,000
Repairs and maintenance (95% factory, 5% office)	200,000
Utilities expense (90% factory, 10% office)	600,000
Sales revenue	10,300,000

**Required:**

Based on the information above:

- Prepare a schedule of cost of goods manufactured.
- Prepare a schedule of cost of goods sold.
- Prepare an income statement (assuming a tax rate of 25%).

(11.5 marks)

(2.5 marks)

(11 marks)

(Total 25 marks)

**QUESTION 3**

Sukaria Sdn Bhd's projected profit for the coming year is as follows:

	<b>Total</b>	<b>Per Unit</b>
Sales	RM200,000	RM20
Total variable cost	<u>120,000</u>	<u>12</u>
Contribution margin	RM 80,000	<u>RM 8</u>
Total fixed cost	<u>64,000</u>	
Operating income	<u>RM 16,000</u>	

Continued...

**Required:**

- a) Compute the variable cost ratio. Compute the contribution margin ratio. (4 marks)
- b) Compute the break-even point in units. (2.5 marks)
- c) Compute the break-even point in sales(RM). (2.5 marks)
- d) How many units must be sold to earn a profit of RM30,000? (2.5 marks)
- e) Using the contribution margin ratio computed in (a), compute the additional profit that Sukaria Sdn Bhd would earn if sales were RM25,000 more than expected. (2.5 marks)
- f) For the projected level of sales, compute the margin of safety in sales (RM) and in ratio. (4 marks)
- g) Calculate the degree of operating leverage. Now suppose that Sukaria Sdn Bhd revises the forecast to show a 30 percent increase in sales over the original forecast. What is the percent change in operating income expected for the revised forecast? What is the total operating income expected by Sukaria Sdn Bhd after revising the sales forecast?

(7 marks)

**(Total 25 marks)****QUESTION 4****Part A**

Siberia Sdn Bhd is trying to establish the standard labour cost of a typical engine tune-up. The following data have been collected from time and motion studies conducted over the past month.

Actual time spent on the tune-up	1.0 hour
Hourly wage rate	RM16
Payroll taxes	10% of wage rate
Setup and downtime	10% of actual labour time
Cleanup and rest periods	20% of actual labour time
Fringe benefits	25% of wage rate

**Required:**

- a) Determine the standard direct labour hours per tune-up (2.5 marks)
- b) Determine the standard direct labour hourly rate. (2.5 marks)
- c) Determine the standard direct labour cost per tune-up. (2 marks)
- d) If a tune-up took 1.5 hours at the standard hourly rate, what was the direct labour quantity variance? (3 marks)

**Continued...**

**Part B**

Lucky Sdn Bhd manufactures one product called tybos. The company uses a standard cost system and sells each tybo for RM8. At the start of monthly production, Lucky Sdn Bhd estimated 9,500 tybos would be produced in March. Lucky Sdn Bhd has established the following material and labour standards to produce one tybo:

	<u>Standard Quantity</u>	<u>Standard Price</u>
Direct materials	2.5 kilograms	RM3 per kilogram
Direct labour	0.6 hours	RM10 per hour

During March 2016, the following activity was recorded by the company relating to the production of tybos:

1. The company produced 9,000 units during the month.
2. A total of 24,000 kilograms of materials were purchased at a cost of RM66,000.
3. A total of 24,000 kilograms of materials were used in production.
4. 5,000 hours of labour were incurred during the month at a total wage cost of RM55,000.

**Required:**

Compute the following variances for March for Lucky Sdn Bhd

- a) Materials price variance (3.5 marks)
  - b) Materials quantity variance (4 marks)
  - c) Labour price variance (3.5 marks)
  - d) Labour quantity variance (4 marks)
- (Total 25 marks)**

**End of Paper**